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NORTH MINING SHARES COMPANY LIMITED

北方礦業股份有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 433)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the “Board”) of North Mining Shares Company Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Revenue	3(a)	369,702	391,035
Cost of sales		<u>(340,991)</u>	<u>(269,252)</u>
Gross profit		28,711	121,783
Other income	3(b)	45,949	4,975
Other gains and losses	4	(1,035,586)	(905,158)
Administrative expenses		<u>(85,907)</u>	<u>(81,059)</u>
Loss from operations		(1,046,833)	(859,459)
Finance costs	6	(12,071)	(11,722)
Share of result of associate		<u>(134)</u>	–

	<i>Note</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Loss before income tax	7	(1,059,038)	(871,181)
Taxation	8	<u>90,492</u>	<u>151,407</u>
Loss for the year		<u>(968,546)</u>	<u>(719,774)</u>
Attributable to:			
Owners of the Company		(852,471)	(487,522)
Non-controlling interests		<u>(116,075)</u>	<u>(232,252)</u>
		<u>(968,546)</u>	<u>(719,774)</u>
Dividends	9	<u>—</u>	<u>—</u>
Loss per share			
— Basic, HK cents, as restated	10	<u>(6.47)</u>	<u>(3.80)</u>
— Diluted, HK cents, as restated	10	<u>(5.40)</u>	<u>(3.80)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i> (Restated)
Loss for the year	<u>(968,546)</u>	<u>(719,774)</u>
Other comprehensive income (Net of tax effect):		
Exchange differences arising from translation of foreign subsidiaries	76,119	46,232
Release of exchange reserves upon disposal of subsidiaries	<u>(5,376)</u>	<u>(61,751)</u>
Other comprehensive income/(expense) for the year	<u>70,743</u>	<u>(15,519)</u>
Total comprehensive income/(expense) for the year	<u><u>(897,803)</u></u>	<u><u>(735,293)</u></u>
Attributable to:		
Owners of the Company	(817,343)	(480,810)
Non-controlling interests	<u>(80,460)</u>	<u>(254,483)</u>
	<u><u>(897,803)</u></u>	<u><u>(735,293)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

		31 December 2012	31 December 2011	1 January 2011
	<i>Note</i>	HK\$'000	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)
ASSETS				
Non-Current Assets				
Property, plant and equipment		314,001	283,678	239,516
Investment properties		–	–	153,501
Interest in associates	11	637,799	–	–
Prepaid lease payments		81,675	1,433	89,423
Exploration and evaluation assets		–	–	3,340,576
Mining rights		2,010,545	2,756,137	3,318,288
Other financial assets	12	1,229,931	54,591	–
		<u>4,273,951</u>	<u>3,095,839</u>	<u>7,141,304</u>
Current Assets				
Inventories		104,813	182,142	193,879
Trade receivables	13	39,870	–	–
Prepayments, deposits and other receivables		115,609	168,539	166,909
Tax recoverable		23,411	11,463	11,349
Cash and cash equivalents		368,501	24,305	138,381
		<u>652,204</u>	<u>386,449</u>	<u>510,518</u>
Non-current assets classified as held for sales		–	2,646,811	–
		<u>652,204</u>	<u>3,033,260</u>	<u>510,518</u>
Total Assets		<u><u>4,926,155</u></u>	<u><u>6,129,099</u></u>	<u><u>7,651,822</u></u>
CAPITAL AND RESERVES				
Share capital		224,041	208,041	200,961
Reserves		2,558,466	3,026,194	3,397,721
Equity attributable to owners of the Company		<u>2,782,507</u>	<u>3,234,235</u>	<u>3,598,682</u>
Non-controlling interests		491,033	1,805,638	2,037,890
Total Equity		<u><u>3,273,540</u></u>	<u><u>5,039,873</u></u>	<u><u>5,636,572</u></u>

	31 December 2012	31 December 2011	1 January 2011
<i>Note</i>	HK\$'000	<i>HK\$'000</i> (Restated)	<i>HK\$'000</i> (Restated)
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	507,050	693,422	1,647,950
Provision for environmental and resources tax	98,425	97,847	118,078
	605,475	791,269	1,766,028
Current Liabilities			
Trade payables	115,602	73,864	22,610
Other payables and accruals	112,823	80,210	121,124
Bank loans and other borrowings	94,611	59,870	105,254
Other financial liabilities	647,009	23,000	–
Amounts due to related parties	67,577	60,755	–
Tax payables	9,518	258	234
	1,047,140	297,957	249,222
Total Liabilities	1,652,615	1,089,226	2,015,250
Total Equity and Liabilities	4,926,155	6,129,099	7,651,822
Net Current (Liabilities)/Assets	(394,936)	2,735,303	261,296
Total Assets less Current Liabilities	3,879,015	5,831,142	7,402,600
Net Assets	3,273,540	5,039,873	5,636,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL INFORMATION

North Mining Shares Company Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liabilities. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business is located at room 3609–10, 36/F., China Resources Building, No. 26 Harbour Road, Wanchai, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The principal activities of the Company are investment holding and property investment. The principal activities of the Company and its subsidiaries (the “Group”) are mining, property leasing, property management.

The consolidated financial statements are presented in Hong Kong dollars, which is the same functional currency of the Company.

In the opinion of the director, the ultimate holding company of the Company is China Wan Tai Group Limited, which was incorporated in Hong Kong.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Company. The following paragraph provides information on initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

2.2 Possible impact of amendments, new standards and interpretation issued but not yet effective for the year ended 31 December 2012

In the current year, the Group has applied for the first time the following new and revised standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA, which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2012:

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets
HKAS 2 (Amendments)	Income Taxes — Deferred Tax: Recovery of Underlying Assets

The adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not early applied the following new and revised standards, amendments or interpretations relevant to the Group's operations that have been issued but are not yet effective.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans ²
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — Transition Guidance ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities ³
HKFRS 13	Fair Value Measurement ²
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (2011)	Employee Benefits ²
HKAS 27 (2011)	Separate Financial Statements ²
HKAS 28 (2011)	Investments in Associates and Joint Ventures ²
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities ³
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 ²

¹ effective for annual periods beginning on or after 1 July 2012

² effective for annual periods beginning on or after 1 January 2013

³ effective for annual periods beginning on or after 1 January 2014

⁴ effective for annual periods beginning on or after 1 January 2015

The directors of the Company is in the process of making an assessment of what the impact of these new and revised HKFRSs upon initial application. So far the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations in issue but not yet effective will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income and gains is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Revenue		
Sales of molybdenum concentrate	345,561	343,644
Sales of sulfuric acid	–	29,212
Trading of minerals resources	17,590	12,971
Property management fee income	6,551	5,208
	<u>369,702</u>	<u>391,035</u>
(b) Other income		
Compensation income	–	4,274
Bank interest income	618	284
Imputed interest income arising from amortisation of promissory notes	43,580	–
Sundry income	1,751	417
	<u>45,949</u>	<u>4,975</u>

4. OTHER GAINS AND LOSSES

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
Amortisation of prepaid lease payments	(5,889)	(2,102)
Amortisation of mining rights	(84,066)	(139,522)
Loss arising from change in fair value of financial liabilities designated as at FVTPL	(624,009)	(23,000)
Loss arising from change in fair value of promissory notes	(49,745)	(47,904)
Gain/(Loss) on disposal of subsidiaries	20,733	(22,831)
Gain on disposal of associates	–	9,810
Reversal/(provision) of impairment loss on trade receivables	6,972	(6,999)
Impairment loss on mining rights	(299,582)	(509,801)
Impairment loss on re-measurement of non-asset held for sales	–	(157,134)
Impairment loss on associates	–	(158)
Impairment loss on prepayments, deposits and other receivables	–	(5,517)
	<u>(1,035,586)</u>	<u>(905,158)</u>

5. SEGMENT INFORMATION

Operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) Mining operation:
 - Exploration of mineral mines
 - Exploitation of molybdenum mines
 - Trading of mineral resources
- (b) Property leasing operation: The leasing of commercial premises
- (c) Property management operation: Provision of management service to commercial premises

The management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or loss and is measured consistently with operating profit or loss in the consolidated financial statements. Information regarding the above segment is reported below.

5.1 Operating segment information

Segment revenue and results

For the year ended 31 December 2012

	Property leasing ² HK\$'000	Property management HK\$'000	Mining operation			Total HK\$'000
			Mining exploitation ³ HK\$'000	Mining exploration ⁴ HK\$'000	Trading of mineral resources HK\$'000	
Revenue						
Segment turnover	-	6,551	345,561	-	17,590	369,702
Results ¹						
Segment results	-	238	(321,791)	(4,921)	(1,814)	(328,288)
Unallocated corporate income						52,919
Unallocated corporate expenses						(687,757)
Loss before income tax						(963,126)
Income tax						(5,420)
Loss for the year						(968,546)

For the year ended 31 December 2011

	Property leasing ² HK\$'000	Property management HK\$'000	Mining operation		Trading of mineral resources HK\$'000	Total HK\$'000
			Mining exploitation ³ HK\$'000	Mining exploration ⁴ HK\$'000 (Restated)		
Revenue						
Segment turnover	<u>–</u>	<u>5,208</u>	<u>372,856</u>	<u>–</u>	<u>12,971</u>	<u>391,035</u>
Results ¹						
Segment results	<u>(3,765)</u>	<u>31</u>	<u>(381,826)</u>	<u>(211,884)</u>	<u>(1,668)</u>	<u>(599,112)</u>
Unallocated corporate income						14,083
Unallocated corporate expenses						<u>(119,908)</u>
Loss before income tax						(704,937)
Income tax						<u>(14,837)</u>
Loss for the year						<u>(719,774)</u>

- Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment result represents the profit earned by each segment without allocation of corporate income and expenses, central administrative expenses, directors' salaries and finance cost. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.
- For the year ended 31 December 2012, there is no segment results for property leasing operation. For the year ended 31 December 2011, segment results for property leasing operation included the administrative expenses which are directly related to the reportable segment.
- For the year ended 31 December 2012, segment results for mining exploitation included an impairment loss on mining rights of approximately HK\$299,582,000 (2011: HK\$436,801,000), amortisation of mining rights of approximately HK\$84,066,000 (2011: HK\$139,522,000), provision of environment and resources tax of Nil (2011: Nil) and reversal of deferred tax liabilities of approximately HK\$95,912,000 (2011: HK\$166,244,000) and operating expenses which are directly related to the reportable segment.
- For the year ended 31 December 2012, segment result for mining exploration represented the administrative expenses incurred to the reportable segment. For the year ended 31 December 2011, segment results for mining exploration included the impairment of mining rights of approximately HK\$73,000,000, re-measurement of non-current assets classified as held for sales of approximately HK\$375,695,000 and reversal of deferred tax liabilities of approximately HK\$18,250,000.

Segment assets and liabilities

As at 31 December 2012

	Property leasing <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Mining operation		Trading of mineral resources <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Mining exploitation <i>HK\$'000</i>	Mining exploration <i>HK\$'000</i>			
Segment assets	<u>–</u>	<u>496,277</u>	<u>2,570,119</u>	<u>–</u>	<u>58,515</u>	<u>1,801,244</u>	<u>4,926,155</u>
Segment liabilities	<u>–</u>	<u>1,047</u>	<u>999,519</u>	<u>–</u>	<u>1,679</u>	<u>650,370</u>	<u>1,652,615</u>

As at 31 December 2011

Segment assets	<u>–</u>	<u>490</u>	<u>2,907,953</u>	<u>376,000</u>	<u>4,265</u>	<u>2,840,391</u>	<u>6,129,099</u>
Segment liabilities	<u>–</u>	<u>486</u>	<u>968,093</u>	<u>94,000</u>	<u>71</u>	<u>26,576</u>	<u>1,089,226</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly reportable segments which are classified as “Others” in segment assets.
- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable and classified as “Others” in segment liabilities.

Other segment information

	Property leasing <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Mining operation		Trading of mineral resources <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
			Mining exploitation <i>HK\$'000</i>	Mining exploration <i>HK\$'000</i>			
As at 31 December 2012							
Depreciation and amortisation	–	1	116,942	–	–	723	117,666
Impairment loss recognised during the year	–	–	299,582	–	–	–	299,582
Capital expenditures	<u>–</u>	<u>–</u>	<u>73,508</u>	<u>–</u>	<u>–</u>	<u>6,734</u>	<u>80,242</u>
As at 31 December 2011 (Restated)							
Depreciation and amortisation	1,994	1	171,488	–	–	670	174,153
Impairment loss recognised during the year	–	–	449,317	230,134	–	158	679,609
Capital expenditures	<u>–</u>	<u>3</u>	<u>67,281</u>	<u>–</u>	<u>–</u>	<u>374</u>	<u>67,658</u>

5.2 Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the group's current and non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the segment assets is based on the physical location of the asset, in the case of mining rights, the location of the operation to which they are allocated.

The Group's operations are located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from external customers		Segment assets	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Hong Kong	–	–	495,215	130,297
The PRC	369,702	391,035	4,430,940	5,944,211
	<u>369,702</u>	<u>391,035</u>	<u>4,926,155</u>	<u>6,074,508</u>

5.3 Information about major customers

Included in revenue of approximately HK\$369,702,000 (2011: HK\$391,035,000), a total of approximately HK\$129,499,000 (2011: HK\$111,543,000) is derived from sales to the Group's largest customer. The Group's five largest customers account for approximately HK\$283,818,000 (2011: HK\$260,644,000). No other single customer has contributed 10% or more to the Group's revenue for the years ended 31 December 2012 and 2011.

6. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
Interest on bank loans and other borrowings wholly repayable within five years	<u>12,071</u>	<u>11,722</u>

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2012 HK\$'000	2011 HK\$'000
Auditors' remuneration	900	900
Cost of inventories expensed	335,223	264,775
Depreciation of property, plant and equipment	33,598	32,529
Staff costs (including directors' remuneration)		
— Wages and salaries	16,017	15,991
— Retirement benefits contributions	1,438	1,215
Operating lease payments in respect of offices premises	<u>1,713</u>	<u>2,175</u>

8. INCOME TAX EXPENSES

No provision for Hong Kong Profits Tax has been made since the Group incurred taxation losses for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretation and practices.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax:		
PRC corporate income tax	5,420	14,837
Deferred tax:	<u>(95,912)</u>	<u>(166,244)</u>
	<u><u>(90,492)</u></u>	<u><u>(151,407)</u></u>

9. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2012 (2011: Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share amount is based on the net loss for the year of HK\$852,471,000 (2011: net loss of HK\$598,988,000) attributable to equity holders of the Company, and weighted average of 13,175,630,408 (2011:12,952,911,230) ordinary shares in issue during the year.

(b) Diluted loss per share

The calculation of diluted loss per share amount is based on the net loss for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of 13,175,630,408 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares 2,600,000,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares at the beginning of the year ended.

11. INTEREST IN ASSOCIATES

As at 31 December 2012, the Group had 25% equity interests in Jilin Province Rui Sui Kuang Ye Company Limited (“Rui Sui”), a company established in the PRC and principally engaged in exploration of iron and molybdenum mine in the PRC. Rui Sui was a non-wholly owned subsidiary of the Group as at 31 December 2011, which the Group had 51% equity interests in Rui Sui. During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui and therefore Rui Sui, in which the Group holds the remaining 25% equity interests, has been classified as associate of the Group.

12. OTHER FINANCIAL ASSETS

Other financial assets represent present value of promissory notes receivables, details of which are set out below:

Ding Jin Promissory Notes

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (“Ding Jin”), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription.

Rui Sui Promissory Notes

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui (see note 11 above), for an aggregate consideration of HK\$600 million, which was satisfied by a promissory notes which are carried at a total interest of HK\$36 million wholly payable on the maturity date, issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

Yi Tong Promissory Notes

During the year ended 31 December 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser. The maturity date is 3 years from the issue date of the promissory notes.

13. TRADE RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade and bills receivables	39,870	6,999
Less: Impairment loss on trade and bills receivables	—	(6,999)
	<u>39,870</u>	<u>—</u>

An aging analysis of the trade receivables at the end of the reporting year, based on invoice date is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0–30 days	20,297	—
31–60 days	10,140	—
61–90 days	9,433	—
Over 180 days but within one year	—	6,999
	<u>39,870</u>	<u>6,999</u>

Movements in impairment of trade receivables are as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At the beginning of year	6,999	–
Exchange realignment	42	–
Reversal of impairment/allowance for the year	(7,041)	6,999
	<hr/>	<hr/>
At the end of year	–	6,999
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the fair values of trade receivables are not materially different from their carrying value because these amounts have short maturity period on their inception.

For the Group's mining operation, sales of molybdenum concentrates are largely on cash basis with no credit terms being granted to customers, except for sizable customers with good credit history, the Group will allow a credit term not more than 30 days. For the year ended 31 December 2012, trade debtors that were not impaired nor past due related to customers for whom there was no recent history of default. Based on experience, management believed that no impairment loss shall be recognised as there has not been a significant change in credit quality and the balances are still considered recoverable (2011: impairment loss of approximately HK\$6,999,000).

During the year, a major subsidiary of the Group discounted bills receivable to banks in exchange for cash and cash equivalent with resource in the ordinary course of business. The Group continues to recognise the full amount of bills receivable and has recognised the cash and cash equivalent received as secured bills payable and included in note 14.

Included in trade and bills receivables, the carrying amount of discounted bills receivable is approximately HK\$38,883,000 (2011: HK\$Nil). The carrying amount of the associated liability is approximately HK\$15,132,000 (2011: HK\$Nil).

14. TRADE PAYABLES

	Group	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0–30 days	29,554	52,610
31–60 days	15,587	10,081
61–90 days	2,557	5,611
91–180 days	4,503	–
Over 180 days but within one year	63,401	5,562
	<hr/>	<hr/>
	115,602	73,864
	<hr/> <hr/>	<hr/> <hr/>

The directors consider that the carrying amounts of trade payables approximate to their fair values at the end of reporting period.

15. PRIOR YEAR ADJUSTMENTS

In October 2008, the Group acquired 51% equity interests in Rui Sui at a consideration of RMB7,650,000 (approximately HK\$8,644,000). As at the date of business combination, Rui Sui had (i) an exploration right to an iron mine located at Da Nan Gou, Jin Dou Xiang, Tong Hua of the Jilin Province of the PRC (“Iron Exploration Right”); and (ii) an exploration right of a molybdenum mine located at Fu Fong Xian, Baishan City, Jilin Province of the PRC which was expired as at the date of business combination (“Molybdenum Exploration Right”).

The fair value of the Iron Exploration Right and Molybdenum Exploration Right have not been recognised as at the date of business combination but have been recognised initially at costs and subsequently measured at fair value as at 31 December 2008 and 31 December 2009 respectively under the revaluation model in accordance with HKFRS 6 “Exploration for and Evaluation of Mineral Resources”. In accordance with HKFRS 3 “Business Combination”, the fair value of the Exploration Rights should have been recognised as at the date of business combination. In addition, deferred tax liabilities for Iron Exploration Right have not been recognised as at the date of business combination. As a result of the consequence and other restatements required, comparative figures have been restated.

For the year ended 31 December 2008

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December 2008 HK\$'000
Loss for the year, as previously reported	(62,794)
Increase in other revenue for negative goodwill arising from acquisition of Rui Sui after the recognition of the fair value for the Iron Exploration Right and Molybdenum Exploration Right (<i>Note (a)</i>)	<u>1,245,665</u>
Profit for the year, as restated	<u><u>1,182,871</u></u>
Loss per share, HK cents, as previously reported	<u>(1.03)</u>
Earning per share, HK cents, as restated	<u><u>22.59</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2008			
	Previously Stated HK\$'000	Adjustments HK\$'000	<i>Notes</i>	Restated HK\$'000
Assets and liabilities				
Exploration and evaluation assets	888,579	2,382,324	<i>(b)</i>	3,270,903
Deferred taxation	<u>(30,536)</u>	<u>(814,142)</u>	<i>(a)</i>	<u>(844,678)</u>
Total effect on assets and liabilities	<u><u>858,043</u></u>	<u><u>1,568,182</u></u>		<u><u>2,426,225</u></u>
Equity				
Fair value reserves	(445,877)	445,877	<i>(c)</i>	–
(Accumulated losses)/Retained profits	297,492	(1,245,665)	<i>(a)</i>	(948,173)
Non-controlling interests	<u>(436,699)</u>	<u>(768,394)</u>		<u>(1,205,093)</u>
Total effect on equity	<u><u>(585,084)</u></u>	<u><u>(1,568,182)</u></u>		<u><u>(2,153,266)</u></u>

For the years ended 31 December 2009 and 2010

There was no effect to the consolidated income statements arising from the prior year adjustments for the year ended 31 December 2009 and 2010.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Previously Stated HK\$'000	As at 31 December 2009		Restated HK\$'000
		Adjustments (Note (d)) HK\$'000	Adjustments (Note (e)) HK\$'000	
Assets and liabilities				
Deferred taxation	(1,391,174)	–	(218,561)	(1,609,735)
Total effect on assets and liabilities	<u>(1,391,174)</u>	<u>–</u>	<u>(218,561)</u>	<u>(1,609,735)</u>
Equity				
Fair value reserves	(1,357,758)	1,357,758	–	–
Exchange reserves	(19,213)	(627)	–	(19,840)
Retained profits	(482,305)	(1,357,131)	111,466	(1,727,970)
Non-controlling interests	<u>(2,202,083)</u>	<u>–</u>	<u>107,095</u>	<u>(2,094,988)</u>
Total effect on equity	<u>(4,061,359)</u>	<u>–</u>	<u>218,561</u>	<u>(3,842,798)</u>

The cumulative effect of the adjustments as at 31 December 2010 are summarised below:

	Previously Stated HK\$'000	As at 31 December 2010		Restated HK\$'000
		Adjustments (Note (d)) HK\$'000	Adjustments (Note (e)) HK\$'000	
Assets and liabilities				
Deferred taxation	(1,429,389)	–	(218,561)	(1,647,950)
Total effect on assets and liabilities	<u>(1,429,389)</u>	<u>–</u>	<u>(218,561)</u>	<u>(1,647,950)</u>
Equity				
Fair value reserves	(1,357,758)	1,357,758	–	–
Exchange reserves	(200,261)	(627)	–	(200,888)
Accumulated losses	213,268	(1,357,131)	111,466	(1,032,397)
Non-controlling interests	<u>(2,144,985)</u>	<u>–</u>	<u>107,095</u>	<u>(2,037,890)</u>
Total effect on equity	<u>(3,489,736)</u>	<u>–</u>	<u>218,561</u>	<u>(3,271,175)</u>

For the year ended 31 December 2011

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December 2011 HK\$'000
Loss for the year, as previously reported	(938,335)
Decrease in other operating expenses resulting from decrease in impairment loss on re-measurement of asset held for sales (<i>Note (f)</i>)	<u>218,561</u>
Loss for the year, as restated	<u><u>(719,774)</u></u>
Loss per share, HK cents, as previously reported	<u>(4.62)</u>
Loss per share, HK cents, as restated	<u><u>(3.80)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2011				
	Previously stated HK\$'000	Adjustments (Note (d)) HK\$'000	Adjustments (Note (e)) HK\$'000	Adjustments (Note (f)) HK\$'000	Restated HK\$'000
Assets and liabilities					
Deferred taxation	(693,422)	–	(218,561)	218,561	(693,422)
Total effect on assets and liabilities	<u>(693,422)</u>	<u>–</u>	<u>(218,561)</u>	<u>218,561</u>	<u>(693,422)</u>
Equity					
Fair value reserves	(1,357,758)	1,357,758	–	–	–
Exchange reserves	(184,742)	(627)	–	–	(185,369)
Accumulated losses	816,244	(1,357,131)	111,466	(111,466)	(540,887)
Non-controlling interests	(1,805,638)	–	107,095	(107,095)	(1,805,638)
Total effect on equity	<u>(2,531,894)</u>	<u>–</u>	<u>218,561</u>	<u>(218,561)</u>	<u>(2,531,894)</u>

Notes:

- (a) The adjustment represents the increase in negative goodwill resulting from the recognition of fair value for the Iron Exploration Right and Molybdenum Exploration Right as at the date of business combination.

The net identifiable assets acquired for Rui Sui and the negative goodwill is summarised below:

	Previously stated <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Net identifiable assets acquired:			
Prepayments, deposits and other receivables	7,152		7,152
Cash and bank balances	1,627		1,627
Exploration and evaluation assets	9,139	3,256,570*	3,265,709
Accruals and other payables	(917)		(917)
Deferred taxation	–	(814,142)#	(814,142)
	<u>17,001</u>		<u>2,459,429</u>
Minority interests	(8,357)		(1,205,120)
	<u>8,644</u>		<u>1,254,309</u>
Total consideration satisfied by:			
Cash			<u>(8,644)</u>
Negative goodwill			<u>1,245,665</u>

* The adjustment represents the fair value of (i) the Iron Exploration Right of approximately HK\$874,246,000; (ii) the Molybdenum Exploration Right of approximately HK\$2,382,324,000 and the related deferred taxation expenses.

The adjustment represents the recognition of deferred tax liabilities of (i) approximately HK\$218,561,000 for Iron Exploration Rights; and (ii) approximately HK\$595,581,000 for Molybdenum Exploration Rights.

- (b) As at 31 December 2008, the carrying value of the exploration and evaluation assets of approximately HK\$888,579,000, as originally reported includes (i) the costs of approximately HK\$9,139,000 arising from the acquisition of Rui Sui; (ii) recognition of fair value of Iron Exploration Right of approximately HK\$874,246,000; and (iii) addition of approximately HK\$5,194,000.

The adjustment represents the recognition for the fair value of the Molybdenum Exploration Right previously recognised as surplus in revaluation as at 31 December 2009 which should be recognised at the date of business combination.

- (c) The adjustment represents the reversal of fair value reserves to reflect the recognition of fair value of the exploration and evaluation assets as at the date of business combination.
- (d) The adjustment represents (i) the reversal of fair value reserves of approximately HK\$1,357,131,000 to reflect the cumulative effect for the recognition of negative goodwill arising from the business combination of Rui Sui against the increase in fair value of the exploration and evaluation assets; and (ii) the related exchange adjustments of approximately HK\$627,000.
- (e) The adjustment represents the cumulative effect for the increase in deferred taxation arising from recognition of deferred taxation for Iron Exploration Right as at the date of business combination.

- (f) Subsequent to the year ended 31 December 2011, 26% equity interests in Rui Sui has been disposed of and the carrying value of which were accounted for as “Non-current assets classified as held for sales”. The adjustment represents the reduction in the amounts of impairment loss on re-measurement of non-asset held for sales for the year ended 31 December 2011 of approximately HK\$218,561,000 (being approximately HK\$111,464,000 attributable to the owners of the Company and approximately HK\$107,095,000 attributable to non-controlling interests) resulting from the recognition of deferred taxation of Iron Exploration Right as at the date of business combination.

The assets and liabilities of Rui Sui classified as non-current assets held for sales is summarised below:

	Previously stated <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Restated <i>HK\$'000</i>
Exploration and evaluation assets	3,343,587		3,343,587
Other payables and accruals	(64,619)		(64,619)
Deferred tax liabilities	<u>(595,581)</u>	(218,561)	<u>(814,142)</u>
	2,683,387		2,464,826
Less: impairment loss on re-measurement of assets held for sales	<u>(375,695)</u>	218,561	<u>(157,134)</u>
	<u><u>2,307,692</u></u>		<u><u>2,307,692</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL FINANCIAL PERFORMANCE

During the year under review, the Group recorded a turnover of approximately HK\$369,702,000, representing a decrease of 5.46% over 2011 (2011: approximately HK\$391,035,000). Turnover attributable to mining business operations, which is the Group's major operation, amounted to approximately HK\$363,151,000 (2011: approximately HK\$372,856,000), represents approximately 98.23% (2011: 95.4%) of the Group's total turnover for the year ended 31 December 2012. For the year ended 31 December 2012, the Group recorded a loss attributable to owners of the Company of approximately HK\$852,471,000 (2011: loss of approximately HK\$487,522,000), representing an increase of 74.86% as compared to the year ended 31 December 2011.

The increase in the loss is mainly due to the increase in the fair value loss of financial liabilities designated as at FVTPL amounted to approximately HK\$624,009,000 (2011: approximately HK\$23,000,000).

BUSINESS REVIEW

The principal activities of the Group are (i) mining operations — exploitation, exploration and trading of mineral resources; (ii) property leasing operations; and (iii) property management operations. An analysis of each of these business segments is presented below:

Mining Operations — Exploitation and Exploration and Trading of Mineral Resources

* Shaanxi Province Luo Nan Xian Jiu Long Kuang Ye Company Limited (“Jiu Long Kuang Ye”) (陝西省洛南縣九龍礦業有限公司)

During the year under review, the volume of molybdenum concentrate produced by the molybdenum mine operated by Jiu Long Kuang Ye was about 3,946 tonnes. The sales volume of molybdenum concentrate was about 5,412 tonnes (2011: 4,320 tonnes). The grade of molybdenum concentrate was approximately 42%–45%. The average selling price of molybdenum concentrate was about HK\$63,851 per tonne. During the year under review, Jiu Long Kuang Ye contributed a revenue of approximately HK\$363,151,000 (2011: approximately HK\$372,856,000) to the Group, of which approximately HK\$Nil was attributable from sales of sulfuric acid (2011: HK\$29,212,000). The cost of sales was approximately HK\$335,223,000 (2011: approximately HK\$252,106,000). Gross profit amounted to approximately HK\$27,928,000 (2011: approximately HK\$120,750,000) and the profit margin was 7.69%, representing a decrease of approximately 24.31% as compared to 32% in 2011. The decrease in profit margin was mainly due to the decrease in the average selling price of molybdenum concentrate about HK\$79,547 per tonne in 2011 to HK\$63,851 per tonne in 2012. For the year ended 31 December 2012, net loss attributable to Jiu Long Kuang Ye was HK\$327,423,000 (2011: approximately loss of HK\$396,661,000) which was mainly attributable from the amortization of mining rights of approximately HK\$84,066,000 (2011: HK\$139,522,000) and impairment loss on mining rights of approximately HK\$299,582,000 (2011: HK\$436,801,000). Taking out the effect of such amortisation and impairment losses recognized during the year, Jiu Long Kuang Ye should have made an operating profit after income tax contribution of approximately HK\$56,225,000.

* For identification purposes only

In order to determine the value in use of the Company's mining operation, the Directors hired an independent professional valuation firm who has used the basis of Discount Cash Flow valuation method (the "DCF"). The sources and inputs of such DCF mainly consist of (i) sales of molybdenum concentrate; (ii) major operating expenses. The assumptions used in forecasting the (i) sales of molybdenum concentrate are the average molybdenum price over the past year, supported by the corresponding molybdenum production plan while that of (ii) major operating expenses are determined based on actual daily operating expenditures, taking into account management's best estimate of future cash outflow including changes in working capital and the incremental capital expenditure foreseeable to be incurred. In the opinion of the Directors of the Company, such adopted DCF method would best reflect the value in use of the Company's mining operation.

During the year, there is no change in valuation method used and the Directors have consensus to adopt a consistent valuation methodology and accounting policy in accounting for such mining operation over time given that no fundamental changes in the mining industry and such external environment will occur.

The discount rate used for the above DCF projections is formulated by the Weighted Average Cost of Capital ("WACC"). The WACC included two major components which are cost of equity and cost of debt. The cost of equity is determined by assessing key assumptions of (i) market risk premium and (ii) beta coefficient. The WACC adopted is 13.12%.

The value in use as derived was amounted to approximately HK\$2,094,611,000 which is lower than the carrying amount of mining right which is amounted to approximately HK\$2,394,193,000. As a result, the Directors concluded that impairment on such mining right is provided at approximately HK\$299,582,000 as at 31 December 2012.

Property leasing operations

The Group did not have any investment properties held for leasing as at 31 December 2012. In view of the significant fluctuation of property market in the PRC, the directors of the Company considered to scale down the Group's leasing operation. Nevertheless, the Group will identify the possible investment property in the future when the property market in the PRC become stable.

Property management operations

For the year ended 31 December 2012, the turnover generated from the property management operation was approximately HK\$6,551,000, representing a growth of approximately 25.79% over the year ended 31 December 2011 of approximately HK\$5,208,000. Such increase was mainly because the Group successfully solicited another property management contract during the year of 2012, which led to an increase in turnover attributable to the property management operation. As at 31 December 2012, the Group had two property management contracts.

Other Business

Associates

* Jilin Province Rui Sui Kuang Ye Company Limited* (“Rui Sui Kuang Ye”) (吉林省瑞穗礦業有限公司)

On 22 March 2012, Golden Finance Company Limited (“Golden Finance”), a wholly-owned subsidiary of the Company, as the vendor entered into a disposal agreement (the “Disposal Agreement”) with the purchaser, in relation to the disposal of 26% equity interests of Rui Sui Kuang Ye (the “Sale Shares”) for a consideration of HK\$600,000,000 (the “Disposal Agreement”). The consideration has been satisfied by way of promissory note issued by the purchaser to Golden Finance upon completion of the Disposal Agreement. The promissory note is secured by the Sale Shares pursuant to the share pledge agreement entered into between Golden Finance and the purchaser. After the disposal of the Sale shares, Rui Sui Kuang Ye has been classified as an associated company of the Company.

Other Financial Assets

As at 31 December 2012, the Group had three promissory notes, namely Ding Jin Promissory Notes, Rui Sui Promissory Notes and Yi Tong Promissory Notes, details of which are set out below:

Ding Jin Promissory Notes

During the year ended 31 December 2011, the Group entered into a subscription agreement with Shaanxi Ding Jin Mining Company Limited (“Ding Jin”), the Issuer, pursuant to which the Group is eligible to subscribe for the promissory notes issued by Ding Jin. The principal amount of the promissory notes was HK\$500 million and carried at interest of HK\$100 million, payable on the maturity date, which is 5 years from subscription.

Rui Sui Promissory Notes

During the year ended 31 December 2012, the Group disposed of 26% equity interests in Rui Sui, for an aggregate consideration of HK\$600 million, which was satisfied by a promissory notes issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes.

Yi Tong Promissory Notes

During the year ended 31 December 2012, the Group disposed of 70% equity interests in Heilongjiang Yi Tong Mining Company Limited (“Yi Tong”) at a consideration of HK\$230 million, of which approximately HK\$46 million was settled by cash and approximately HK\$184 million was settled by issuance of the promissory note issued by the purchaser with maturity date of 3 years from the issue date of the promissory notes.

* For identification purposes only

Material Acquisition and Disposal

On 22 March 2012, Golden Finance Company Limited, a wholly owned subsidiary of the Company, entered into a disposal agreement with independent third parties to dispose of 26% equity interest of Rui Sui for an aggregated consideration of HK\$600 million.

Pursuant to a disposal agreement between Shan Xi Tong Jin Mining Company Limited and the Company signed on 17 September 2012, the Company disposed of its 70% equity interests in Yi Tong at a total consideration of HK\$230,000,000.

The Directors is of the view that it is in the interests of the Group to realize the value of its shareholding in Rui Sui and Yi Tong so as to reduce the financial pressure arising from the need for substantial capital investment for operations of Rui Sui and Yi Tong, and also to increase the cash resources of the Group for the further development and expansion of its mining business and further investment in the mineral resources sector.

Contingent assets

During the year under review, the Group received no dividend from Xian Communication University Second Affiliated Middle School Southern District. The transfers of land and property rights are still being processed. The school was a compensation asset receivable as a result of a fraud transaction taken by a minority shareholder of the Group's subsidiary who had surrendered a property development project held by the Group to Xian Government without the Company's knowledge or consent in previous years. The Group will continue to identify investment opportunities to develop real estate projects and property leasing operations in the future.

PROSPECTS

In 2013, the global economy still faces more uncertainty factors, including the possible continue slowdown in global economy and the sovereign debt crisis in the euro zone. The Group will continue to keep abreast of the changing market conditions and will adjust its business and operation strategies.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cashflow. During the year under review, the Group recorded a net cash inflow of approximately HK\$344,196,000 (2011: outflow of approximately HK\$114,076,000) which was mainly arising from the placing of 300,000,000 new Shares at a price of HK\$0.26 per Share and the issue of the convertible notes in the amount of HK\$252,000,000. In 2011, the Company entered into a convertible note option agreement, pursuant to which the Company has the right to request the potential subscribers to subscribe for the convertible notes to be issued by the Company for cash up to HK\$754,000,000. Details were disclosed in the Company's announcement dated 19 July 2011. With the amounts of cash on hand amounted to approximately HK\$368,501,000 as at 31 December 2012 (2011: approximately HK\$24,305,000), together with the proposed convertible notes which may be issued at the option of the Company, the Board considered that the Group's liquidity position is healthy.

As at 31 December 2012, the Group had outstanding bank borrowings in the amount of approximately HK\$94,611,000 (2011: approximately HK\$59,870,000). The Group's gearing ratio as at 31 December 2012 was approximately 2.9% (2011: 1.9%). The increase in gearing ratio was mainly due to the increase in interest bearing bank borrowings during the year. The Board considered that the gearing ratio remains at low level compared to equity attributable to owners of the Company and that the Group is of good liquidity. As at 31 December 2012, the Group's current ratio was approximately 0.6 (2011: approximately 1.3). The decrease in current ratio was mainly due to the increase in current liabilities in the Group's mining operation during the year under review. As at 31 December 2012, the Group's debt to equity ratio was approximately 0.59 (2011: approximately 0.34). The increase in debt to equity ratio was mainly due the increase in borrowing during the year under review. The ratio was calculated by dividing the total liabilities of approximately HK\$1,652,615,000 (2011: approximately HK\$1,089,226,000) by equity attributable to owners of the Company of approximately HK\$2,782,507,000 (2011: approximately HK\$3,234,235,000). Overall, the Board believes that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement.

CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The Group's capital structure as at 31 December 2012 mainly comprised of current assets of approximately HK\$652,204,000 (2011: approximately HK\$386,449,000), current liabilities of approximately HK\$1,047,140,000 (2011: approximately HK\$297,957,000) and equity attributable to owners of the Company of approximately HK\$2,782,507,000 (2011: approximately HK\$3,234,235,000). Current assets mainly comprised of cash and cash equivalents of approximately HK\$368,501,000 (2011: approximately HK\$24,305,000), inventories of approximately HK\$104,813,000 (2011: approximately HK\$182,142,000) and prepayments, deposits and other receivables of approximately HK\$47,942,000 (2011: approximately HK\$168,539,000). Current liabilities mainly comprised of borrowings of approximately HK\$150,146,000 (2011: approximately HK\$59,870,000), trade payables of approximately HK\$115,602,000 (2011: approximately HK\$73,864,000), accruals and other payables of approximately HK\$57,288 (2011: approximately HK\$80,210,000), other financial liabilities of approximately HK\$647,009,000 (2011: HK\$23,000,000) and amounts due to related parties of approximately HK\$67,577,000 (2011: HK\$60,755,000).

Convertible Note Option Agreement

2011 CN Option Agreement

As disclosed in the announcement of the Company dated 19 July 2011, the Company, as the issuer, entered into the Convertible Note Option Agreement ("2011 CN Option Agreement") with the potential subscribers. The CN Option (as defined in the announcement) entitled the Company to require each potential subscriber to, and the potential subscriber are also entitled to, fully or partially subscribe for the convertible notes ("2011 Convertible Notes") as agreed under the 2011 CN Option Agreement within three years ending on 19 July 2014. If all of the CN Option are issued and validly exercised, the Company will issue an aggregate principal amount of up to HK\$754,000,000 of 2011 Convertible Notes. Assuming the conversion rights

attached to the 2011 Convertible Notes are exercised in full at the conversion price of HK\$0.29, a total of 2,600,000,000 conversion shares (the “Conversion Shares”) will be allotted and issued, representing approximately 18.57% of the existing issued share capital of the Company and approximately 15.66% of the entire issued share capital when all the Conversion Shares are allotted and issued.

2012 CN Option Agreement

As disclosed in the announcement of the Company dated 31 May 2012, the Company, as the issuer, entered into the Convertible Note Option Agreement (“2012 CN Option Agreement”) with the Mr. Soong Kung Yuan (“Mr. Soong”). The CN Option (as defined in the announcement) entitled the Company to require Mr. Soong to, and Mr. Soong is also entitled to, fully or partially subscribe for the convertible notes (“2012 Convertible Notes”) as agreed under the 2012 CN Option Agreement within two years ending on 31 May 2014.

As disclosed in the announcement of the Company dated 3 December 2012, Mr. Soong fully subscribed for the 2012 Convertible Notes in the amount of HK\$252,000,000. As disclosed in the Company’s announcement dated 17 December 2012, Mr. Soong exercised in full the conversion right attached to the 2012 Convertible Notes in the principal amount of HK\$252,000,000. Accordingly, the Company allotted and issued a total of 700,000,000 conversion shares (the “Conversion Shares”) to Mr. Soong at the conversion price of HK\$0.36 per Conversion Share pursuant to the terms and conditions of the 2012 Convertible Notes. The Conversion Shares represent approximately 5% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Board considers that the entering into of the 2011 CN Option Agreement and 2012 CN Option Agreement represents the opportunities to strengthen the financial position of the Group while broadening the investor base and capital base of the Group. The Board is of a view that the agreements were entered into based upon normal commercial terms following arm’s length negotiations between the Company and the potential subscribers. The Board believes the terms of the agreements are fair and reasonable and the subscription is in the interests of the Company and the Shareholders as a whole.

Placing of Shares

As disclosed in the Company’s announcement dated 31 May 2012, the Company entered into a placing agreement with Mr. Soong in relation to the placing of 300,000,000 new Shares at a price of HK\$0.26 per Share (the “Placing”). The Placing was completed on 7 June 2012.

Treasury Policies

During the year ended 31 December 2012, the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. It is the Group’s treasury policy to manage its foreign currency exposure whenever such financial impact is material to the Group. For the year ended 31 December 2012, the Group did not employ any financial instruments for hedging purpose and was not engaged in foreign currency speculative activities.

BANK BORROWING AND CHARGES OF GROUP ASSETS

As at 31 December 2012, the Group had bank borrowings amounted to approximately HK\$94,611,000 (2011: HK\$59,870,000). As at 31 December 2012, the Group's interest-bearing bank loans were carried at effective interest rates from 6.9% to 9.6% per annum and were secured by (i) a guarantee from an independent insurance company; (ii) the molybdenum concentrate as included in inventories amounted to 1,380 tons; (iii) guarantees from a subsidiary of the Group and the subsidiary's minority shareholders.

Included in interest bearing bank loans, amount of RMB26,900,000, with a clause in their terms that gives the lender an overriding right to demand repayment without notice or at its sole discretion, is classified as current liabilities even though the directors do not expect that the lender would exercise their rights to demand repayment.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no significant contingent liabilities (2011: Nil).

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2012, the Group employed 689 full time employees (2011: 760 employees). Employees remuneration packages are structured and reviewed with reference to the nature of the jobs, market condition and individual merits. The Group also provides other employee benefits including year-end double pay, mandatory provident fund and medical insurance.

MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

Basis for qualified opinion

Prior year's audit scope limitation affecting opening balances and comparative figures

1. The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2009, 2010 and 2011 contained a qualification on the possible effect of the limitations on the scope of the audit in relation to a property development project held by a subsidiary of the Company which had been surrendered to Xian Government without the Company's knowledge or consent. Details of which has been set out in the auditor's report dated 29 March 2010, 28 March 2011 and 30 March 2012 and was included in the Group's annual report for the years ended 31 December 2009, 2010 and 2011.
2. The auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2010 and 2011 contained a qualification on the provision of environmental and resources tax arising from the renewal of mining right held by a subsidiary of the Company. Details of which has been set out in the auditor's report dated 28 March 2011 and 30 March 2012 and was included in the Group's annual report for the year ended 31 December 2009, 2010 and 2011.

As the auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2011 formed the basis for the corresponding figures presented in the current year's consolidated statements, any adjustments found to be necessary in respect of (i) the carrying amount of the abovementioned property development project; and (ii) the provision of environmental and resources tax would have a significant effect on the opening balances and consequential effect on the consolidated financial position of the Group as at 31 December 2012 and the results and cash flows for the year ended 31 December 2012 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2012.

Scope limitation — provision for environmental and resources tax

An amount of HK\$97,847,000 (approximately RMB80,000,000) related to the provision of environmental and resources tax (the "Provision") arising from the renewal of mining right held by a subsidiary of the Company has been recognised as at 31 December 2012. We were unable to obtain sufficient appropriate evidence regarding the validity and completeness of the Provision as at 31 December 2012. Any adjustments found to be necessary in respect thereof would have a significant and consequential effect on the consolidated financial position of the Group as at 31 December 2012, the results and cash flows for the year ended 31 December 2012 and the related disclosures thereof in the consolidated financial statements of the Group for the year ended 31 December 2012.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2012, the Company had applied the principles of the Code of Corporate Governance Practices (the "Former Code") for the period from 1 January 2012 to 31 March 2012 and the principles of the Corporate Governance Code (the "Revised Code") which came into effect on 1 April 2012, all those set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company had complied with all the applicable code provisions of the Former Code and Revised Code, except the following code provision:

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year, Mr. Gao Yuan Xing performed the roles of the Chairman and the Chief Executive Officer of the Company. In allowing the two positions to be occupied by the same person, the Company has considered that both positions require in-depth knowledge and considerable experience of the Group's business. Candidates with the requisite knowledge, experience and leadership are difficult to identify. If either of the positions is occupied by an unqualified person, the Group's performance could be gravely compromised. The Board also believes that the vesting of two roles in the same person would provide the Group with stable and consistent leadership and allows for more effective and efficient planning and implementation of long term business strategies. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

Under the code provision A.5.1 of the Code, company should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. However, the Board considers that the setting up of such a nomination committee may not be necessary at the current scale of the Board and the Company. The Board is responsible for considering and approving the appointment of its members and making recommendations to shareholders on directors standing for re-election, providing sufficient biographical details of directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominate and appoint directors to fill casual vacancies. The chairman may in conjunction with the other directors from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of directors on the Board independent of management.

Under the code provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should, inter alia, attend general meetings. Due to personal and other important engagement at the relevant time, these directors were absent from the general meetings of the Company.

The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the Revised Code.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all directors, the Company confirmed that all Directors had fully complied with the required standard set out in the Model Code for the year ended 31 December 2012.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely Messrs. Mu Xiangming, Cheng Chak Ho and Lo Wa Kei Roy. The purpose of the establishment of the audit committee is for reviewing and supervising the financial reporting process and internal control of the Group. The audit committee has reviewed the Group's financial statements for the year ended 31 December 2012.

PUBLICATION OF ANNUAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The result announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the Company's website at www.northmining.com.hk. The 2012 annual report of the Company containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the above websites in due course.

By order of the Board of
North Mining Shares Company Limited
Gao Yuan Xing
Chairman

Hong Kong, 25 March 2013

As at the date of this announcement, the Board of the Company comprises Mr. Gao Yuan Xing, Mr. Qian Yi Dong and Mr. Zhang Jia Kun as executive Directors; and Mr. Mu Xiangming, Mr. Lo Wa Kei Roy and Dr. Cheng Chak Ho as independent non-executive Directors.